

REVENUE
 RECORDS SECTION
 STATE OF LOUISIANA



LAFAYETTE PARISH
 WATERWORKS DISTRICT SOUTH
 A COMPONENT UNIT OF THE CONSOLIDATED
 GOVERNMENT OF LAFAYETTE, LOUISIANA

FINANCIAL STATEMENTS

AUGUST 31, 1997 AND 1996

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the auditor, or controller, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Revised Date: 02-2-1998

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lafayette Parish Waterworks District South
Lafayette Parish, Louisiana

We have audited the financial statements of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the years ended August 31, 1997 and 1996, as listed in the Table of Contents. These component unit financial statements are the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Other Organizations*, and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned component unit financial statements present fairly, in all material respects, the financial position of the Lafayette Parish Waterworks District South, as of August 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 1997, on our consideration of the Lafayette Waterworks District South's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Thistle Moore DeHaut,
Allyson J. Hutchinson*

WRIGHT, MOORE, DEHAUT,
DU PUIS & HUTCHINSON
Certified Public Accountants

October 13, 1997

WMDDH

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

BALANCE SHEET
AUGUST 31, 1997 AND 1996

ASSETS

	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Cash	\$ 382,162	\$ 389,815
Accounts Receivable (Net of Allowance for Doubtful Accounts)	59,813	41,368
Prepaid Insurance	832	543
Total Current Assets	<u>442,807</u>	<u>431,726</u>
RESTRICTED ASSETS		
Cash - Restricted		
Water Revenue Bond and Interest Sinking Fund Money Market Account	38,441	18,714
Water Revenue Reserve Fund Money Market Account	58,403	90,117
Water Depreciation and Contingency Fund Money Market Account	93,899	88,508
Rural Development Construction Account	-	2,988
Reserve Deposits	8,812	7,088
Total Restricted Assets	<u>199,555</u>	<u>197,415</u>
PROPERTY, PLANT AND EQUIPMENT		
Water District System	971,264	988,594
Water Treatment Plant	213,369	289,624
Water Line and Wells	299,979	292,979
Water Meters	113,285	68,714
Equipment	68,267	-
Office Equipment	14,538	8,911
	<u>1,680,202</u>	<u>1,648,822</u>
Less: Accumulated Depreciation	<u>(247,280)</u>	<u>(288,680)</u>
	<u>1,432,922</u>	<u>1,360,142</u>
Land	15,808	15,080
Construction in Progress	803	71,487
Net Property, Plant and Equipment	<u>1,449,533</u>	<u>1,446,709</u>
TOTAL ASSETS	\$1,592,368	\$1,475,330

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

BALANCE SHEET
AUGUST 31, 1997 AND 1996

LIABILITIES AND FUND EQUITY

	<u>1997</u>	<u>1996</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 32,161	\$ 2,172
Payroll Taxes Payable	217	175
Sales Tax Payable	<u>120</u>	<u>806</u>
Total Current Liabilities	<u>32,498</u>	<u>3,153</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Members' Deposits	8,876	9,180
Membership Fees Collected in Advance	-	21,980
Accrued Interest	1,548	2,136
Current Portion of Revenue Bonds	<u>38,252</u>	<u>11,650</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>48,676</u>	<u>44,946</u>
LONG-TERM LIABILITIES		
Revenue Bonds Payable - Less Current Portion	1,281,413	888,908
Total Liabilities	<u>1,281,668</u>	<u>922,807</u>
FUND EQUITY		
Contributed Capital		
Contributions	113,284	69,214
Memberships	91,700	95,700
Capital Grants	<u>38,868</u>	<u>30,889</u>
Total Contributed Capital	<u>243,852</u>	<u>195,803</u>
Retained Earnings		
Reserve for Debt Service	95,043	88,568
Reserve for Depreciation and Contingency	95,899	68,471
Unreserved	<u>268,881</u>	<u>217,985</u>
Total Retained Earnings	<u>659,823</u>	<u>574,924</u>
TOTAL FUND EQUITY	<u>903,675</u>	<u>770,727</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$1,281,668</u>	 <u>\$1,473,534</u>

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
BY RETAINED EARNINGS
FOR THE YEARS ENDED AUGUST 31, 1991 AND 1990**

	<u>1991</u>	<u>1990</u>
OPERATING REVENUES		
Water Sales	\$ 388,680	\$ 308,267
Connection Fees	3,585	3,219
Reconnection Fees	3,885	915
Late Fees	3,800	3,134
Installation Fees	32,809	19,698
Other Fees	586	586
Total Operating Revenues	<u>433,405</u>	<u>338,819</u>
OPERATING EXPENSES (SCHEDULED)	<u>368,732</u>	<u>308,146</u>
Operating Income	<u>64,673</u>	<u>130,727</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	17,777	14,917
Interest Expense	<u>(22,826)</u>	<u>(28,829)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,049)</u>	<u>(13,912)</u>
NET INCOME	<u>59,624</u>	<u>116,815</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>664,694</u>	<u>547,879</u>
Prior Period Adjustment	—	<u>(12,734)</u>
RETAINED EARNINGS, BEGINNING OF YEAR (RESTATED)	<u>664,694</u>	<u>535,145</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 724,318</u>	<u>\$ 651,964</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Service Users	\$ 408,717	\$ 121,879
Cash Payments for Goods and Services	(173,899)	(121,759)
Cash Paid to Employees for Services	480,280	485,717
Net Cash Provided by Operating Activities	<u>133,917</u>	<u>131,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Revenue Bonds	565,180	78,980
Membership Contributed Capital Collected	79,180	5,751
Commissions Contributed Capital Collected	40,500	11,980
Purchase of Property and Equipment	(505,620)	(93,877)
Principal Paid on Revenue Bonds	(175,083)	(13,515)
Interest Paid on Revenue Bonds	<u>(28,827)</u>	<u>(32,837)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(164,203)</u>	<u>(62,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>15,722</u>	<u>14,892</u>
NET INCREASE IN CASH	28,999	62,540
CASH, BEGINNING OF YEAR (including restricted cash of \$187,860 and \$111,241 for 1997 and 1996 respectively)	<u>263,029</u>	<u>498,989</u>
CASH, END OF YEAR (including restricted cash of \$199,817 and \$161,865 for 1997 and 1996 respectively)	<u>\$ 291,972</u>	<u>\$ 561,529</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF CASH FLOWS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	1997	1996
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$128,895	\$158,729
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	48,674	58,925
Changes in Assets and Liabilities		
Accounts Receivable, Net	(18,665)	595
Prepaid Insurance	(89)	149
Accounts Payable	25,421	1,615
Payroll Taxes Payable	92	13
Sales Tax Payable	(364)	(179)
Rents Deposits	1,721	599
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$175,917</u>	<u>\$178,236</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Lafayette Parish Waterworks District South (the District) is a component unit of the Consolidated Government of Lafayette, Louisiana (the Consolidated Government). The District is legally separate from the Consolidated Government, but its governing body is appointed by the council of the Consolidated Government. The basic entity being reported on is the District. The financial report includes all funds over which the District exercises oversight responsibility. This responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The Lafayette Parish Waterworks District South was issued a charter by the State of Louisiana and a franchise from the Parish of Lafayette on October 18, 1934. The District's purpose is to provide a water system for the residents of a unit of Lafayette Parish.

B. BASIS OF PRESENTATION: FUND ACCOUNTING

The accounts are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in these funds. The government has the following fund types and account groups:

Proprietary Funds

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The operations of the water system are accounted for in an enterprise fund.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded as the time liabilities are incurred. The government applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BUDGETARY ACCOUNTING

Formal budgetary integration is not employed as a management control device for the Lafayette Parish Waterworks District South.

C. CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. FIXED ASSETS AND LONG-TERM LIABILITIES

Property and equipment (including infrastructure assets), which constitute assets of the Proprietary Fund are recorded at cost and depreciation is computed under the straight-line method. The service lives by type of asset are as follows:

Water Distribution System	48 years
Water Treatment Plant	5-48 years
Water Line, Wells and Valves	3-48 years
Office Equipment	3-7 years
Other Equipment	3-18 years

Interest costs for fixed-asset construction within enterprise funds are capitalized. Interest costs incurred during 1997 were \$68,641 of which \$7,000 has been capitalized.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE (2) - CASH

There are three categories of credit risk that apply to the District's bank balances:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name;
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name;

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996**

NOTE (2) - CASH - continued

3. Uncollateralized

Balances held in each category are as follows:

	Category		Fund Balance	Carrying Amount
	1	2		
Invested (FDIC)	\$100,000	\$ -	\$100,000	\$100,000
Uninsured deposits-Collateralized	-	\$213,688	\$213,688	\$213,688
Total Deposits	\$100,000	\$213,688	\$313,688	\$313,688

Unrestricted cash is composed of a checking account and a money market interest account. Restricted cash is composed of three money market interest accounts. There are no investments. The District has no category 3 deposits.

NOTE (3) - ACCOUNTS RECEIVABLE

The District's accounts receivable as of August 31, 1997 and 1996 consists of uncollected billed and unbilled utility services. Accounts receivable aging schedules are as follows:

Days	1997		1996	
	Amounts	Number of Accounts	Amounts	Number of Accounts
0-30	\$78,517	1,580	\$25,938	1,010
31-60	521	18	231	14
61-90	-	-	80	8
91 and older	-	-	1,525	29
Unbilled Receivables	28,998	-	14,832	-
Other Receivables	212	-	-	-
Total	\$108,248	1,608	\$42,586	1,061
Less: Allowance for Doubtful Accounts	19,825	-	19,825	-
Net Accounts Receivable	\$88,423		\$22,761	

NOTE (4) - RESTRICTED ASSETS

Renters' Deposits - The Renters' Deposits account represents refundable fifty dollar deposits collected from customers requiring service connection to rental property.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996**

NOTE (4) - RESTRICTED ASSETS - continued

Bond Development/Construction Account - This account represents funds restricted to fund the water line expansion project described in Note (3).

Under the terms of the bond indentures all income and revenues of every nature earned or derived from operation of the utility system are pledged and dedicated to the redemption of said bonds, and are to be set aside into the following special funds:

Water Revenue Bond and Sinking Fund - Each month there shall be set aside into this fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Water Revenue Reserve Fund - There shall also be set aside into this fund an amount equal to Five percent (5%) of the principal and interest payments required during the current fiscal year and if there shall have been accumulated in the reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Water Revenue Bond and Interest Sinking Fund and so to which there would otherwise be default.

Water Depreciation and Contingency Fund - Funds will also be set aside into this fund at the rate of \$4,416 each year. Money in this fund may be used for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus.

NOTE (5) - EXPANSION OF WATER LINES

During 1995, pursuant to a joint cooperative agreement between the District and the Consolidated Government, the District expanded water lines to the rural southern portion of Lafayette Parish which did not have a community water system. The expansion required the District to purchase water wholesale from the Consolidated Government to supply the target area. The construction of the proposed project was financed through a \$600,000 Louisiana Community Development Block Grant received by the Consolidated Government and a \$431,800 Bond/ARDCI loan as described in Note (6)(4) below. The net service area is expected to be self-sustaining based on projected revenues and expenses.

The Consolidated Government retained ownership of that portion of the water distribution system constructed with the \$370,800 of funds provided by the Louisiana Community Development Block Grant program for the actual construction of the system and an additional \$20,800 it funded for engineering costs.

The District holds title to the balance of the water distribution system.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

NOTE (6) - REVENUE BONDS PAYABLE

The District has four Water Revenue Bond issues outstanding at August 31, 1997 and 1996 as follows:

	<u>1997</u>	<u>1996</u>
(1) \$578,080 40 year Water Revenue Bonds - dated August 12, 1983, with 5% interest, payable in annual installments of principal and interest ranging from \$28,509 - \$31,808, through August 12, 2023. The bond holder is Rural Development (formerly Fed Ex).	\$471,808	\$481,000
(2) \$208,080 40 year Water Revenue Bonds - dated October 6, 1987, with 7.625% interest, payable in annual installments of principal and interest of \$16,172 through August 12, 2027. The bond holder is Rural Development.	183,660	189,668
(3) \$358,080 40 year Water Revenue Bonds - dated October 12, 1989 with 5% interest, payable in annual installments of principal and interest ranging from \$7,508 - \$8,659 through August 12, 2024. The bond holder is SLAMCOSS.	129,808	131,808
(4) \$431,080 40 Year Water Revenue Bonds dated July 19, 1993, with 5.625% interest, payable in annual installments of interest only for 1997 and principal and interest of \$27,709 through August 12, 2033. The bond holder is Rural Development.	431,808	338,808
Total Revenue Bonds Payable	1,216,660	841,568
Less: Current Maturities	(18,242)	(33,668)
Long-Term Debt	<u>\$1,238,413</u>	<u>\$807,900</u>

The aggregate principal maturities are as follows:

Year Exired	August 31,
1998	\$ 18,242
1999	19,583
2000	19,815
2001	21,318
2002	21,718
2003-2027	<u>1,118,815</u>
	<u>\$1,216,660</u>

A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFALETTE, LOUISIANA

**NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996**

NOTE (7) - RETAINED EARNINGS - RESERVED

The District records reserves to Retained Earnings to indicate that a portion of the fund equity is segregated in actively legal covenants and is not appropriate for future expenses. Specific reservations of retained earnings are summarized below.

Reserve for Debt Service - The reserve for debt service was created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue accounts based on assets held by the Enterprise Fund that are restricted for debt service. The purpose of the reserved retained earnings is to service the revenue bonds.

Reserve for Depreciation and Contingency - The reserve for depreciation and contingency was created in conjunction with the issuance of revenue bonds and is funded from the revenue account based on assets held by the Enterprise Fund that are restricted for depreciation and contingency. The funds are reserved for depreciation, extensions, additions, improvements, and replacements necessary to properly operate the system. This reserve may also be used for debt service payments on the revenue bonds falling due at any time there is not sufficient funds available in other fund levels.

NOTE (8) - CONTRIBUTED CAPITAL

Changes in the Enterprise Fund Contributed Capital for the years ended August 31, 1997 were as follows:

	1997	1996
Contributed Capital - Beginning Balance (as recorded on Note (1)(C))	\$199,434	\$143,324
Membership Fees Collected in Fund System Extensions	32,698	3,958
Conversion Fees up to Actual Cost	-43,338	-11,892
Contributed Capital - Ending Balance	\$228,794	\$175,390

NOTE (9) - RELATED PARTY TRANSACTIONS

The District conducts business with an employee who is a principal member of management. The District owes this officer fees from that employee. The District made rental payments of \$1,200 in both 1997 and 1996. At August 31, 1997, no amounts were due to the employee from the District relating to this firm.

The District also conducts business with the Consolidated Government in the ordinary course of business. The District purchases water from the Consolidated Government for resale to customers. The District purchased \$181,894 and \$18,357 of water from the Consolidated Government during 1997 and 1996, respectively. At August 31, 1997 and 1996, the District owed to the Consolidated Government \$18,878 and \$2,760, respectively.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

NOTE (10) CORRECTION OF ERROR

In the financial statements for the year ended August 31, 1995, an error was made in accounting for installation fees up to the actual cost of those installations. In prior years those amounts were included in operating revenues. However, they should have been closed to Contributed Capital. This error has been corrected and has had the following effect on the beginning retained earnings for the year ended August 31, 1996:

Beginning Retained Earnings, as Previously Reported	\$264,997
Adjustment for Installation Fees That Should Have Been Closed to Contributed Capital	(53,716)
Beginning Retained Earnings, as Corrected	\$211,281

Net income in the Enterprise Fund was decreased by \$11,080 for the year ended August 31, 1996, as a result of this correction.

NOTE (11) CHANGES IN PRESENTATION

Various amounts shown as comparative prior year balances have been reclassified to better correspond to amounts reported for the current fiscal year.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	1997	1996
Advertising	\$ 78	\$ -
Automobile Allowance	8,080	5,580
Bad Debt	1,762	-
Bank Charges	2,129	1,529
Board Expenses	-	121
Board Fees	1,375	250
Chemicals	14,712	13,085
Consulting	2,083	70
Deans and Subscriptions	-	75
Employee Training	58	-
Freight	1,024	4,024
Gas	326	-
Insurance	4,788	5,984
Labor	1,378	120
Legal and Accounting	7,283	8,820
Meter Installation	-	14,880
Miscellaneous	74	-
Office	3,162	4,882
Refunds	4	-
Rent	1,288	1,288
Repairs and Maintenance	19,429	11,780
Salaries	60,258	44,713
Supplies	3,588	181
Payroll Taxes	4,621	3,553
Telephone	3,147	1,868
Utilities	8,373	8,182
Water Purchased	185,594	28,127
Depreciation	86,024	28,023
Total Operating Expenses	<u>\$255,722</u>	<u>\$226,126</u>

The accompanying notes are an integral part of this statement.

LA FAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LA FAYETTE, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
AUGUST 31, 1997
(UNAUDITED)

Insurer	Coverage	Risk Covered	Coverage limits	Co-insurance	Policy Period From To
Mid Continental Casualty Insurance Company	Bodily Injury and Property Damage	General Liability and Property Damage	\$10,000,000/\$0,000	None	08/01/96 08/01/97
Accia	Fire	Treatment Plant Contents	21,000 31,000	80%	01/07/97 01/31/98
L. J. Woodman's Compression Corporation		Workers's Compensation	Statutory	None	06/01/97 06/30/98
Accia	Surety bond on Fred Stover - President		75,000	None	12/01/96 12/31/97
Accia	Surety bond on Curtis Debatre- Bookkeeper		75,000	None	10/01/96 10/31/97

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

BOARD OF COMMISSIONERS
AS OF AUGUST 31, 1997

Name	Term Expires	Title	Address and Telephone Number
Fred Simon	October, 1997	President	81 S. Box 265-K Lafayette, LA 70506 (318) 984-5348
Walter Daniels	October, 1999	Vice-President	1822 Daniels Rd. Denon, LA 70529 (318) 984-2900
George Villien Jr.	October, 2002	Secretary/ Treasurer	5343 S. Fieldway Denon, LA 70529 (318) 981-1875
Aaron Dufrenoy	October, 1996	Board Member	181 Adelle Road Minden, LA 70555 (318) 873-6279
Bobby Dufrenoy	November, 2002	Board Member	4211 South Ridgely Rd Rayne, LA 70578 (318) 873-6336

The Commissioners began receiving a \$25.00 monthly compensation effective September 1996.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
 A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 1995

FEDERAL ORIGINATOR PROGRAM/TITLE	FEDERAL CFDA NUMBER	AGENCY SYMBOL	LOAN PROGRAM	FEDERAL EXPENDITURES
U.S. Department of Agriculture Rural Development Water Revenue Bonds- Water System Improvements	19199	NA	1901,000	\$410,000

NOTE: The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

WEINER, MCKEE, DELHANT, DUPUIS & HUTCHINSON

Certified Public Accountants

P. O. Box 5246 • 104 Representative Row
Lafayette, Louisiana 70509-1246

PHONE 225-682 • TELEX 279-9416 • FAX (225) 225-6827

MEMBER: AICPA, CPA
MEMBER: AICPA, CPA

LAKE CHARLES • LA
MONROE • LA
MONROE • LA
MONROE • LA
MONROE • LA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Lafayette Parish Waterworks District South
Lafayette Parish, Louisiana

We have audited the financial statements of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 1997, and have issued our report thereon dated October 13, 1997. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, *audits of States, Local Governments, and Non-profit Organizations*, and the provisions of Louisiana Revised Statutes 24:515 and the *Louisiana State or Local Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the Lafayette Parish Waterworks District South's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Parish Waterworks District South's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting, and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal controls and their operation that we have reported to the management of the Lafayette Parish Waterworks District South in a separate letter dated October 13, 1997.

This report is intended for the information of the management and Board of Commissioners of the Lafayette Parish Waterworks District South, the Legislative Auditor of the State of Louisiana, and the federal awarding agency. However, this report is a matter of public record and its distribution is not limited.

*Wright Moore, DeSart,
Dupuis & Hutchinson*

WRIGHT MOORE, DESART,
DUPLUIS & HUTCHINSON
Certified Public Accountants

October 13, 1997

WRIGHT, MOORE, DELHART, DUPUIS & HUTCHINSON

Credited Public Accountants

P.O. Box 52045 • 114 Representative Bldg.

Lafayette, Louisiana 70505-0245

(504) 233-8550 • (504) 235-9445 • FAX (504) 237-8880

WRIGHT, MOORE, DELHART, DUPUIS

& HUTCHINSON, LLP

MEMBER OF DELOITTE, TOUCHE, PETERSON & LEE

MARK E. LUSTIG, CPA

STEVEN L. PHILLIP, CPA

DAVID J. MOYER, CPA

WILLIAM J. HARRIS, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners

Lafayette Parish Waterworks District South

Lafayette Parish, Louisiana

We have audited the compliance of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended August 31, 1997. Lafayette Parish Waterworks District South's major federal program is identified in the accompanying Schedule of Dispositions of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lafayette Parish Waterworks District South's management. Our responsibility is to express an opinion on Lafayette Parish Waterworks District South's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, and the provisions of Louisiana Revised Statutes 24:511 and the Louisiana Government Audit Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lafayette Parish Waterworks District South's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lafayette Parish Waterworks District South's compliance with these requirements.

In our opinion, Lafayette Parish Waterworks District South complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 1997.

Internal Control Over Compliance

The management of Lafayette Parish Waterworks District South is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lafayette Parish Waterworks District South's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and Board of Commissioners of the Lafayette Parish Waterworks District South, the Legislative Auditor of the State of Louisiana, and the federal awarding agency. However, this report is a matter of public record and its distribution is not limited.

*Thight, Moore, DeLant,
Baupis & Hiltchenson*

WRIGHT, MOORE, DELANT,
BAUPIS & HILTCHENSON
Certified Public Accountants

October 13, 1997

We wish to thank Calvin and Corrie Dufon for their support and assistance during our audit.

This report is intended for the information of management and all appropriate regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Wayne Moore, CPA
Alpous & Hutchinson

WAYNE, MOORE, DEHART
DUPUIS & HUTCHINSON
Certified Public Accountants